

Top Secret

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233

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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday August 3, 1976 CI NIDC 76-180C

DIA review(s) completed.

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Tuesday August 3, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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CONTENTS

LEBANON: Situation Report	Page 1
KENYA-UGANDA: Talks	Page 3
ARGENTINA: Commercial Loans	Page 3
SPAIN: Economic Measures	Page 4
FRANCE: Pluton Regiment	Page 5
ZAMBIA: Dissident Guerrilla Activity	Page 6
EC: European Parliament	Page 6

LEBANON: Situation Report

25X1 [] There has been little movement so far in implementing the Syrian-Palestinian accord signed in Damascus last Thursday.

25X1 [] The Palestinians--who seem to be trying to make the agreement work, possibly out of desperation--have named four representatives to sit on the Syrian-Lebanese-Palestinian committee set up by the agreement to oversee a cease-fire. One is Faruq Qaddumi, Yasir Arafat's chief political adviser, who negotiated the agreement in Damascus.

25X1 [] There has been no further word from Arafat on his plans to visit Damascus. He is probably still smarting over Syria's insertion of a preamble condemning Egypt's acceptance of the second Sinai accord, a move that forced the Palestinians to patch up their ties with Cairo. Arafat may also be waiting for the dust to settle after Syria's recent cabinet reshuffle during the weekend.

25X1 [] The trip may have been delayed until the wounded were evacuated from the Tall Zatar refugee camp. Another attempt by the Red Cross to arrange an evacuation Saturday failed at the last minute when Christian extremist Camille Shamun refused to allow the Red Cross convoy into the camp.

25X1 [] Arab League mediator Hasan Sabri al-Khuli has announced that nothing further can be discussed with respect to the Syrian-Palestinian accord, including the establishment of a committee to supervise a cease-fire, until the Tall Zatar evacuation has been carried out. A new attempt has been set to begin today; al-Khuli has reportedly obtained the signatures of all the Christian leaders responsible for the siege of the camp. A Swedish doctor inside the camp put the number of wounded at about 4,000.

25X1 [] Al-Khuli is also trying to work out another cease-fire plan to take effect Wednesday morning. This one would include the use of Saudi and Sudanese peacekeeping troops on both sides of the confrontation line dividing Beirut, the establishment of small observation posts at other fronts in the mountains east of the city, and the creation of a buffer zone manned by Libyan troops between the Syrians and the Palestinians in south Lebanon, where fighting flared over the weekend.

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[] The leftist radio has announced the agreement of all sides to al-Khuli's plan. The Christian parties, however, earlier came out against the use of Libyan troops in the Arab peace-keeping forces following the arrival of fresh troops and armored vehicles from Libya last Friday.

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[] Charging that the Libyan forces have been fighting alongside the Palestinians and leftists and supplying them with equipment, the Christians said they would now regard the Libyans as hostile forces; they asked the Arab League immediately to repatriate the Libyans. Al-Khuli termed the Christian charge a misunderstanding and said he would discuss the matter with President Franjiyah today.

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[] Leftist leader Kamal Jumblatt announced the formation of a new political council over the weekend, which he described as a step towards the creation of a united leftist front. Jumblatt is president; other council members cover the spectrum of the Lebanese left and include the assistant secretary general of the Lebanese Communist Party, an Iraqi member of the Baath Party of Lebanon, and the extremist leader of a Lebanese street gang.

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[] The council is intended to establish civil administrations in leftist areas where none is functioning; to cooperate with local administrations that do exist and force them to cooperate if they show signs of balking; and to establish a popular security force, a popular army, and a popular militia. Jumblatt's council will work to establish the supremacy of the more extreme leftist groups among the Muslims. This will make eventual reconciliation with the Lebanese Christians more difficult.

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KENYA-UGANDA: Talks

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[REDACTED] Kenya and Uganda have agreed to hold talks in Nairobi on their dispute this week, according to statements issued by the two governments.

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[REDACTED] The agreement to hold talks has decreased the chance of military action, but the issues that divide the two countries will not be easily resolved. Uganda is facing critical fuel shortages, but Kenya is unlikely to end completely its restrictions on the deliveries of petroleum to Uganda until Amin withdraws his troops from the border. Nairobi says Uganda owes Kenya \$50 million for other goods already delivered.

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[REDACTED] Kenya will also insist that Amin end claims to Kenyan territory and guarantee the safety of Kenyans in Uganda, some of whom have been subjected to reprisals. [REDACTED]

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ARGENTINA: Commercial Loans

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[REDACTED] Argentina apparently will receive nearly \$1 billion in commercial loans this year from financial institutions in North America and Western Europe.

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[REDACTED] Economics Minister Martinez de Hoz, on his recent eight-country swing through Western Europe, reportedly received promises of loans totaling over \$300 million from West Germany,

France, the UK, Switzerland, Italy, Spain, Belgium, and the Netherlands. This sum, together with \$500 million already promised by US banks, a probable \$80 to \$100 million from Canada, and \$300 million practically assured from the International Monetary Fund, should cover Argentina's debt service payments for 1976.

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[] Most of the loans will have four- or five-year maturities, providing Argentina an opportunity to build a stronger foreign exchange position before large annual payments are again required.

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[] The majority of the private loans are contingent on International Monetary Fund approval of a standby credit in addition to its \$300 million loan. The IMF decision, likely this month, probably will be favorable. The government's success in reducing inflation--from 38 percent in March to under 3 percent in June--and in halving the huge fiscal deficit will probably convince the IMF that the junta is adequately controlling the economy even though the budget deficit is still large.

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[] Some lenders are also waiting to see whether the country can now recover from the recession that was deepened by the successful anti-inflationary actions. Prospects for success have improved since agriculture, the key sector in recovery, received a significant boost last week when heavy rains broke the drought that was retarding wheat planting. []

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SPAIN: Economic Measures

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[] Spain's new cabinet has announced its first new economic measures. The measures are limited to modest efforts to stimulate construction of public housing, improve marketing of food products, increase the price of milk to farmers, assist fishermen, and carry out limited public works projects in the Galicia region.

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[] The package fails to deal with Spain's major economic difficulties--a 23 percent annual rate of inflation, a rising current-account deficit, and unemployment hovering around 5.5 percent. The cabinet announced plans to issue subsequent decrees dealing with prices, employment, incomes, and fiscal and monetary policy, but no specifics have been mentioned yet.

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[] The new cabinet has also indicated it plans to provide aid to industries and regions with particularly high unemployment, but fear of inflation will act as a check on increased government spending. Big labor contracts coming up for renewal this fall could further stimulate inflation; unions reportedly will hit the textile and auto industries hardest in their attempt to boost wages enough to cover past price increases. Since wage negotiations will coincide with this fall's national referendum, the government will be reluctant to take a strong stand against excessive demands.

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[] The cabinet has not made any specific proposals to deal with Spain's growing payments deficit. Stepped-up imports of high-price corn and feed grain, together with a sharp decline in tourist revenues, will probably help push the current-account deficit above last year's \$3.4 billion. The \$1-billion loan arranged by US banks will help offset the deficit, but Madrid may be forced to draw down foreign currency reserves by at least \$2 billion to fill the gap. []

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FRANCE: Pluton Regiment

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[] //The French reportedly have withdrawn an artillery regiment from West Germany and are re-equipping it with Pluton tactical nuclear missiles before reassigning it to a unit in France. [] Paris plans later this year to withdraw another artillery regiment for conversion into the army's fifth, and last, Pluton unit.//

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[] //These transfers are part of the French plan, announced this spring, to reorganize the ground forces, and may presage other minor transfers from Germany in the near future.//

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[] //According to the US defense attache in Paris, the army is planning this year to withdraw three of its 11 artillery regiments stationed in West Germany--the two that will probably be equipped with Plutons, and a third that is likely to retain its conventional artillery.//

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[] these transfers are needed to align the artillery organization with that of reorganized army units in France.//

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[] //The planned withdrawal will reportedly reduce the 60,000-man French army force in West Germany by some 3,000 men. Some West German officials are clearly unhappy with the French decision, but it is still unclear what effect the transfers will have on the overall military capability of French divisions east of the Rhine.//

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[] //The moves will initially leave some French ground units with limited fire support. This gap probably will be filled eventually by France's new 155-mm. howitzer, currently under development. []

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ZAMBIA: Dissident Guerrilla Activity

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[] //Zambia has recently begun to send army units against anti-government guerrillas in Northwestern Province.//

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[] //The guerrillas have reportedly killed several persons and attempted to disrupt the operations of government-owned copper mines since they became active last April.//

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[] //President Kaunda appears determined to suppress the guerrillas before they become a serious problem that could divert his attention from Zambia's faltering economy and the Rhodesian guerrilla war. []

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EC: European Parliament

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[] //The EC failed this week to ratify the recent decision of the nine heads of government to hold direct elections to the European Parliament in 1978. The EC foreign ministers will take up the problem, and possibly the question of representation for West Berlin, when they meet again on September 20. Final approval appears certain this fall, opening the way for the 1978 elections.//

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[] //The UK was the lone holdout. Minister of State Hattersley told a special session of the EC foreign ministers that the cabinet--preoccupied with debating budget cuts and a nationalization measure--had not yet had time to study the European Council's decision.//

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[] //Hattersley assured the Nine that the UK was fully committed to implementing the decision. Some EC officials are worried, however, that London may consider it politically expedient to wait until after the Labor Party conference in late September.//

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[] //The Nine apparently have decided that EC treaty requirements can be met through an EC Council directive recommending that the member states' parliaments ratify annexes that codify the Council decision.//

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[] //This procedure is expected to minimize the political problems some member governments, particularly France, face in their legislatures. These problems would have been exacerbated if formal ratification of an EC treaty was required.//

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[] //The annexes also will note Danish reservations. For the 1978 election, Denmark will be allowed to hold the European Parliament elections concurrently with its own national election, and to elect representatives to the European Parliament from among its legislators. Community-wide uniform voting procedures--to be worked out by the Parliament itself--are planned to go into effect for the 1982 elections.//

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[] //Another possible problem facing the EC--and the three Western allies with rights and responsibilities in Berlin--is whether West Berlin deputies to the European Parliament will have full voting rights.//

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[] //West Germany, the US, the UK, and France agree that the deputies from the city will be indirectly elected. The West Germans, however, emphasize the importance of giving those deputies full voting rights.//

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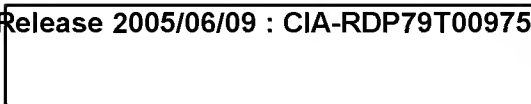
[] //The British, anticipating official Soviet protests that such a development would violate the Quadripartite Agreement on Berlin, have suggested that the Western allies

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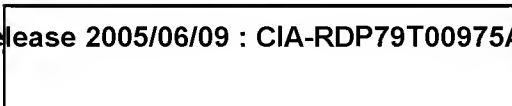
should express reservations about the Berliners' voting rights. British and French officials in Bonn, moreover, have suggested that West Berlin's participation in future EC political activities may not be possible.//

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 //If the British and French press this view, a controversy with the West Germans is likely to result, and the US will be drawn into it. 

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